

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Bangor Township Schools	County Bay
Fiscal Year End June 30, 2006	Opinion Date October 13, 2006	Date Audit Report Submitted to State November 14, 2006	

We affirm that:

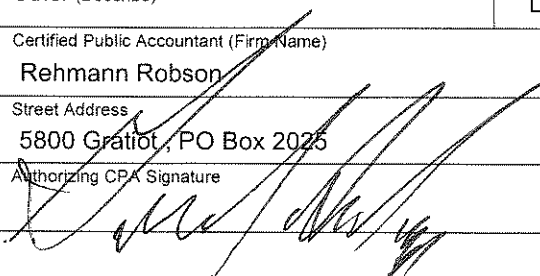
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☐ ☒ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number (989)799-9580	
Street Address 5800 Gratiot, PO Box 2025		City Saginaw	State MI
Authorizing CPA Signature 		Printed Name Gerald J. Desloover, CPA	Zip 48605
		License Number 1101007126	



Bangor Township Schools  
Bay City, Michigan

Financial Statements

For the Year Ended June 30, 2006



**REHMANN ROBSON**

*Certified Public Accountants*

# **BANGOR TOWNSHIP SCHOOLS**

**JUNE 30, 2006**

---

## **ADMINISTRATION**

SUPERINTENDENT

DR. TINA KERR

## **BOARD OF EDUCATION**

PRESIDENT

RICHARD J. KOWALSKI

VICE PRESIDENT

JOHN LOOP

SECRETARY

BARBARA SKOWRONSKI

TREASURER

PATRICK SHAFFER

TRUSTEE

TIM ALLEN

TRUSTEE

MARK SEYMOUR

TRUSTEE

BRIAN TOBIN

# BANGOR TOWNSHIP SCHOOLS

## TABLE OF CONTENTS

---

	<u>PAGE</u>
<b>Independent Auditors' Report</b> .....	1-2
<b>Management's Discussion and Analysis</b> .....	3-9
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Assets .....	10
Statement of Activities .....	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	12
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets .....	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund .....	16-25
Statement of Fiduciary Net Assets .....	26
Statement of Changes in Fiduciary Net Assets for Private Purpose Trust Funds .....	27
Notes to the Financial Statements .....	28-45
<b>Combining and Individual Fund Financial Statements and Schedules:</b>	
Combining Balance Sheet – Nonmajor Governmental Funds .....	46
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	47
Schedule of Revenue, Expenditures and Changes in Fund Balance- Special Revenue Funds-Budget and Actual:	
Food Service .....	48
Athletic .....	49
Community Service .....	50
Combining Statement of Fiduciary Net Assets-Private Purpose Trust Funds	51
Combining Statement of Changes in Fiduciary Net Assets .....	52

## Single Audit

Schedule of Expenditures of Federal Awards.....	53-54
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	55-56
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	57-58
Schedule of Findings and Questioned Costs.....	59-61
Summary Schedule of Prior Audit Findings.....	62



**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

## **INDEPENDENT AUDITORS' REPORT**

October 13, 2006

To the Board of Education  
Bangor Township Schools  
Bay City, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Bangor Township Schools**, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the **Bangor Township Schools**, as of June 30, 2006, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is

an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ***Bangor Township School's*** basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of ***Bangor Township Schools***. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

# Bangor Township Schools

## Management's Discussion and Analysis

---

This section of the 2006 annual financial report presents our discussion and analysis of Bangor Township School District's financial performance during the year ended 2006. Please read it in conjunction with Bangor Township Schools financial statements, which immediately follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Bangor Township Schools District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a long-term view of those finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds, the General Fund and the 2003 Capital Projects Fund with all other funds presented in one column as Other Governmental Funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

### **Financial Section**

- Basic Financial Statements
  - District-wide Financial Statements
  - Fund Financial Statements
  - Fiduciary Funds
  - Notes to Financial Statements
- Other Supplemental Information
  - Combining Balance Sheet Nonmajor Governmental Funds
  - Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds

### ***District-wide Financial Statements***

One of the most important questions asked about the School District is, "As a whole, what is Bangor Township Schools District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report Bangor Township Schools District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets, as reported in the



# **Bangor Township Schools**

## **Management's Discussion and Analysis**

---

statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, Bangor's goal is to provide services to our students, not to generate profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safety of the schools, must be considered to assess the overall health of the School District. The statement of net assets and the statement of activities report the governmental activities for Bangor Township Schools, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and State and federal grants finance most of these activities.

### ***Fund Financial Statements***

Bangor Township Schools fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, Bangor Township Schools establishes many other funds to help it control and manage money for particular purposes, such as the food services and athletics funds. Funds are also established to show that it's meeting legal responsibilities for using certain taxes, grants, and other money, including the 2003 Bond Issue, which will fund construction for voter-approved capital projects. The governmental funds of the School District use the following accounting approach.

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs.

### ***Fiduciary Fund***

Bangor Township School District acts as the trustee for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. These activities are excluded from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

# Bangor Township Schools

## Management's Discussion and Analysis

### The School District

The statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2006 and 2005.

Table 1 Governmental Activities

	June 30, 2006	June 30, 2005
<b>Assets</b>		
Current and other asset	\$ 4,590,906	\$ 9,998,293
Capital assets	24,971,761	21,898,207
Less accumulated depreciation	(6,743,251)	(6,326,883)
Capital assets, net book value	18,228,510	15,571,324
Total Assets	22,819,416	25,569,617
<b>Liabilities</b>		
Current Liabilities	2,180,937	4,628,018
Long-term liabilities	16,305,215	16,832,294
Total Liabilities	18,486,152	21,460,312
<b>Net Assets</b>		
Invested in capital assets net of related debt	4,285,588	1,409,179
Restricted	250,584	115,830
Unrestricted	(202,908)	2,584,296
Total Net Assets	\$ 4,333,264	\$ 4,109,305

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$4,333,264 at June 30, 2006. Capital assets, net of related debt, totaled \$4,285,588. This compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Of the remaining amount of net assets, \$250,584 was restricted for debt service requirements. The \$(202,908) in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations.

Positive balances in unrestricted net assets are used for working capital and cash flow needs as well as to provide for future uncertainties however the District reported a deficit balance in unrestricted net assets as of June 30, 2006. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year-to-year. The results of this year's operations for Bangor Township Schools District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2006. As reported in the statement of activities, the cost of all governmental activities this year

# Bangor Township Schools

## Management's Discussion and Analysis

was \$21,835,147. Certain activities were partially funded from those who benefited from the programs-\$899,386, or by other governments and organizations that subsidized certain programs with grants and contributions-\$3,541,473. The remaining "public benefit" portion of governmental activities was funded with \$4,284,908 in taxes, \$13,140,241 in State foundation allowance and other unrestricted State revenues, and with other revenues, such as interest and general entitlements. Bangor Township Schools District experienced an increase in net assets of \$223,959. The assets increased primarily as a result of ongoing operations in the School District. In addition, long-term debt decreased by \$527,079 in 2006, and net capital assets increased by \$2,657,186.

Table 2 Governmental Activities

	June 30, 2006	June 30, 2005
<b>Revenue</b>		
Program revenue		
Charges for services	\$ 899,386	\$ 839,212
Operating grants	3,541,473	4,068,127
General revenue:		
Property-taxes-general	4,284,908	4,096,319
Investment earnings unrestricted	89,198	171,036
State aid unrestricted	13,140,241	12,561,683
Other	103,900	60,609
Total revenue	22,059,106	21,796,986
<b>Functions/Program Expense</b>		
Instruction	11,276,244	11,049,500
Support services	6,932,442	7,908,107
Food services	882,911	805,954
Athletics	458,179	442,855
Community services	1,086,096	1,003,785
Interest on long-term debt	842,988	554,172
Depreciation (unallocated)	356,287	295,167
Total expenses	21,835,147	22,059,540
<b>Increase (decrease) in net assets</b>	\$ 223,959	\$ (262,554)

As discussed above, the net cost shows the financial burden that was placed on the State and Bangor Township Schools Districts' taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted revenues.

# Bangor Township Schools

## Management's Discussion and Analysis

---

### The School District's Funds

As noted earlier, Bangor Township Schools District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether Bangor District is being held accountable for the resources taxpayers and others provide to it and may give more insight into the School District's overall financial health.

As the School District completed the 2006 school year, the governmental funds reported a combined fund balance of \$2,318,617, a decrease of \$2,817,816 from the prior year. The changes by major and non-major funds are as follows:

	<b>General Fund</b>	<b>2003 Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Fund balance beginning of year	\$ 1,321,182	\$ 3,349,204	\$ 466,047	\$ 5,136,433
Increase/(Decrease)	133,403	(3,000,115)	48,896	(2,817,816)
Fund balance end of year	1,454,585	349,089	514,943	2,318,617

In the General Fund, our principal operating fund, the fund balance increased by \$133,403 from last year. Revenues increased by \$176,565 from the prior year and expenditures increased by approximately \$12,683 for a total of \$19,345,314. By comparison, the General Fund balance decreased by \$38,407 for the year ended June 30, 2005. Revenues increased primarily as a result of increase in the funds received from the State of Michigan and due to higher enrollments. Expenditure increases are a normal part of operations as a result of salary and benefit increases, increased costs for utilities, and other operating expenses. Due to the several staff reductions and other cost savings measures total expenditures stayed relatively the same. The fund balance of the General Fund is available to fund costs related to allowable school operating purposes.

The 2003 Capital Project Fund balance was \$349,089 as Bangor Township Schools was in the process of renovation projects. The bond issue expenditures are estimated to be completed by December 31, 2006. The 2003 Debt Service Fund showed a fund balance decrease of \$3,000,115. Millage rates were established at 2.1700 mills in order to pay the additional debt incurred in the 2002 year. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue payments related to debt service. In 2006 the School District refunded a portion of the 2003 Debt to reduce future interest expense. Overall the School District will save nearly \$275,000 in interest charges. The other nonmajor funds increased by \$48,896.

# Bangor Township Schools

## Management's Discussion and Analysis

---

### General Fund Budgetary Highlights

Over the course of the year, Bangor Township Schools revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted in April 2006. A statement showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in these financial statements. There were revisions made to the 2005-2006 General Fund original budget. Budgeted revenues increased by \$673,069 primarily from State Aid payments, from the special education payments from Bay-Arenac ISD and for increases in other federal grant programs. Budgeted expenditures had an increase of \$674,170 to account for the changes in the general operating plan of the School District. There were no significant variances between the final budget amounts and actual.

### Capital Asset and Debt Administration

#### Capital Assets

At June 30, 2006, the School District had \$18,228,510 invested in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of approximately \$2,657,186 or 17%, from last year.

	2006	2005
Land	\$181,770	\$ 181,770
Construction in progress	-	7,102,336
Building and improvements (net of accumulated depreciation)	17,933,700	7,978,012
Furniture, equipment and vehicles (net of accumulated depreciation)	113,040	309,206
	<u>113,040</u>	<u>309,206</u>
Total capital assets	<u>\$18,228,510</u>	<u>\$15,571,324</u>

The 2003 Capital Projects Fund will be completed during the 2006-07 fiscal year. We present more detailed information about our capital assets in the notes to financial statements.

#### Debt

At the end of this year, Bangor Township Schools District had \$ 13,942,922 in bonds outstanding versus \$ 14,157,544 in the previous year - a change of 1.5%. Those bonds consisted of the following:

	2006	2005
General Obligation Bonds	\$13,942,922	\$14,157,544

# **Bangor Township Schools**

## **Management's Discussion and Analysis**

---

The School District's general obligation bond rating continues to be AAA. Other obligations include accrued retirement incentive, vacation pay, and sick leave. We present more detailed information about our long-term liabilities in the notes to financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration consider many factors when setting the School District's 2007 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2007 fiscal year is 25% of the February 2006 and 75% of the September 2006 student counts. The 2006-2007 budgets were adopted in June 2006, based on an estimate of 2,525 students that will be enrolled in September 2006. Approximately 87% of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations. Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds revenue estimating conferences to estimate revenues. If actual State revenues are less than their estimates, reduction to the per-pupil funding allowance may be necessary. The School District undesignated General Fund balance of \$1,444,366 is sufficient to meet any unanticipated shortfalls the State may experience in the School Aid Fund.

### **Requests for Information**

This financial report is designed to give our citizens, taxpayers, parents, students, investors and creditors a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to the Business Office, Bangor Township Schools, 3520 Old Kawkawlin Road, Bay City, Michigan 48706; telephone number 989-684-8121.

**BANGOR TOWNSHIP SCHOOLS**  
**BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**Bangor Township Schools**  
**Statement of Net Assets**  
**June 30, 2006**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,122,917
Investments	764,757
Receivables	2,694,844
Prepaid items and other assets	8,388
Capital assets not being depreciated	181,770
Capital assets being depreciated, net	18,046,740
<b>Total assets</b>	<b>22,819,416</b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,925,170
Unearned revenue	255,767
Long-term debt:	
Due within one year	732,232
Due in more than one year	15,572,983
<b>Total liabilities</b>	<b>18,486,152</b>
<b>Net assets</b>	
Invested in capital assets, net of related debt	4,285,588
Restricted for:	
Debt service	250,584
Unrestricted (deficit)	(202,908)
<b>Total net assets</b>	<b>\$ 4,333,264</b>

The accompanying notes are an integral part of these financial statements.

**Bangor Township Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2006**

<b><u>Functions / Programs</u></b>	<b><u>Expenses</u></b>	<b><u>Program Revenues</u></b>			<b><u>Net (Expense) Revenue</u></b>
		<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	<b><u>Capital Grants and Contributions</u></b>	
Governmental activities:					
Instruction	\$ 11,276,244	\$ 24,267	\$ 421,785	\$ -	\$ (10,830,192)
Supporting services	6,932,442	119,835	1,715,245	-	(5,097,362)
Food service	882,911	479,894	466,241	-	63,224
Athletics	458,179	82,440	-	-	(375,739)
Community service	1,086,096	192,950	938,202	-	45,056
Interest on long-term debt	842,988	-	-	-	(842,988)
Unallocated depreciation	356,287	-	-	-	(356,287)
<b>Total</b>	<b>\$ 21,835,147</b>	<b>\$ 899,386</b>	<b>\$ 3,541,473</b>	<b>\$ -</b>	<b>(17,394,288)</b>
General revenues:					
Property taxes					4,284,908
Unrestricted state aid					13,140,241
Grants and contributions not restricted to specific programs					103,900
Unrestricted investment earnings					89,198
<b>Total general revenues</b>					<b>17,618,247</b>
 Change in net assets					 223,959
 Net assets, beginning of year					 4,109,305
 <b>Net assets, end of year</b>					 <b>\$ 4,333,264</b>

The accompanying notes are an integral part of these financial statements.

## **FUND FINANCIAL STATEMENTS**

**Bangor Township Schools**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

	<b>General Fund</b>	<b>2003 Bond Issue Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Totals</b>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 397,966	\$ 349,089	\$ 375,862	\$ 1,122,917
Investments	764,757	-	-	764,757
Accounts receivable	89,549	-	-	89,549
Due from other governments	2,456,151	-	149,144	2,605,295
Due from other funds	68,984	-	197,421	266,405
Inventories	1,768	-	6,620	8,388
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 3,779,175</u></b>	<b><u>\$ 349,089</u></b>	<b><u>\$ 729,047</u></b>	<b><u>\$ 4,857,311</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	71,308	-	764	72,072
Accrued payroll	1,475,414	-	-	1,475,414
Accrued liabilities	258,484	-	-	258,484
Due to other funds	194,568	-	71,837	266,405
Deferred revenue	324,816	-	141,503	466,319
Total liabilities	2,324,590	-	214,104	2,538,694
<b>Fund balances</b>				
Reserved:				
Reserved for inventories	1,768	-	6,620	8,388
Reserved for capital projects	8,451	349,089	-	357,540
Unreserved:				
Undesignated	1,444,366	-	-	1,444,366
Undesignated, reported in nonmajor:				
Special revenue funds	-	-	377,433	377,433
Debt service funds	-	-	98,818	98,818
Capital projects funds	-	-	32,072	32,072
Total fund balances	1,454,585	349,089	514,943	2,318,617
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 3,779,175</u></b>	<b><u>\$ 349,089</u></b>	<b><u>\$ 729,047</u></b>	<b><u>\$ 4,857,311</u></b>

The accompanying notes are an integral part of these financial statements.

**Bangor Township Schools**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2006**

Fund balances - total governmental funds	\$	2,318,617
--	----	-----------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets		24,971,761
Deduct: accumulated depreciation		(6,743,251)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred long-term Durant Settlement receivable		210,552
--	--	---------

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds payable		(13,801,419)
Deduct: accrued interest on bonds payable		(119,200)
Deduct: Durant bonds payable		(141,503)
Deduct: accrued retirement benefits		(1,179,906)
Deduct: compensated absences		(1,182,387)

Net assets of governmental activities	\$	<u>4,333,264</u>
---------------------------------------	----	------------------

The accompanying notes are an integral part of these financial statements.

**Bangor Township Schools**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	<b>General Fund</b>	<b>2003 Bond Issue Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Totals</b>
<b>Revenue</b>				
Local sources	\$ 3,550,948	\$ 25,456	\$ 1,700,393	\$ 5,276,797
State sources	14,554,232	-	172,029	14,726,261
Federal sources	1,447,030	-	447,102	1,894,132
Interdistrict sources	177,511	-	-	177,511
Reimbursements	65,922	-	-	65,922
Proceeds from sale of capital assets	32,072	-	-	32,072
Total revenue	<u>19,827,715</u>	<u>25,456</u>	<u>2,319,524</u>	<u>22,172,695</u>
<b>Expenditures</b>				
Instruction	11,457,584	-	-	11,457,584
Supporting services	6,966,605	-	-	6,966,605
Community services	912,908	-	175,445	1,088,353
Interdistrict payments	3,334	-	-	3,334
Food service activities	-	-	879,410	879,410
Athletic activities	-	-	458,179	458,179
Debt service:				
Principal repayment	4,601	-	459,064	463,665
Interest and fiscal charges	282	-	647,528	647,810
Capital outlay	-	3,025,571	-	3,025,571
Total expenditures	<u>19,345,314</u>	<u>3,025,571</u>	<u>2,619,626</u>	<u>24,990,511</u>
Revenue over (under) expenditures	<u>482,401</u>	<u>(3,000,115)</u>	<u>(300,102)</u>	<u>(2,817,816)</u>
<b>Other financing sources (uses)</b>				
Proceeds of refunded debt	-	-	4,615,000	4,615,000
Payments to bond escrow agent	-	-	(4,615,000)	(4,615,000)
Transfers in from other funds	50,000	-	398,998	448,998
Transfers out to other funds	(398,998)	-	(50,000)	(448,998)
Total other financing sources (uses)	<u>(348,998)</u>	<u>-</u>	<u>348,998</u>	<u>-</u>
Net change in fund balances	133,403	(3,000,115)	48,896	(2,817,816)
Fund balance, beginning of year	<u>1,321,182</u>	<u>3,349,204</u>	<u>466,047</u>	<u>5,136,433</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,454,585</u></u>	<u><u>\$ 349,089</u></u>	<u><u>\$ 514,943</u></u>	<u><u>\$ 2,318,617</u></u>

The accompanying notes are an integral part of these financial statements.

**Bangor Township Schools**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2006**

Net change in fund balances - total governmental funds	\$ (2,817,816)
--	----------------

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	3,073,554
Subtract: depreciation expense	(416,368)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Subtract: payments received on long-term Durant Settlement receivable	(113,588)
---	-----------

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	463,665
Add: amortization of bond premium and discount	10,357
Subtract: bond proceeds	(4,615,000)
Add: payments to escrow agents, net of applicable interest costs	4,320,000
Add: discount on bond issuance	40,202

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Subtract: increase in accrued interest payable on bonds	(28,902)
Subtract: increase in the accrual for compensated absences	(5,810)
Add: decrease in the accrual for retirement incentive payable	313,665

Change in net assets of governmental activities	<u><u>\$ 223,959</u></u>
---	--------------------------

The accompanying notes are an integral part of these financial statements.

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Revenue</b>				
Local sources:				
Property taxes	\$ 3,221,309	\$ 3,317,845	\$ 3,299,994	\$ (17,851)
Property taxes-interest and penalties	5,000	18,858	18,859	1
Interest	25,000	45,000	52,113	7,113
Transfers from other districts:				
Rental of facilities	45,000	35,000	43,451	8,451
Transportation fees	60,000	60,000	76,384	16,384
Medicaid reimbursement	20,000	-	35,880	35,880
Other	30,000	20,000	24,267	4,267
Total revenue from local sources	<u>3,406,309</u>	<u>3,496,703</u>	<u>3,550,948</u>	<u>54,245</u>
State sources:				
State Aid Foundation	13,021,866	13,251,839	13,206,257	(45,582)
State School Readiness	171,600	198,000	198,000	-
Durant	34,525	34,525	34,525	-
At Risk	366,000	382,008	367,149	(14,859)
Special Education	656,776	749,183	748,301	(882)
Total revenue from state sources	<u>14,250,767</u>	<u>14,615,555</u>	<u>14,554,232</u>	<u>(61,323)</u>
Federal sources - restricted:				
Title I	352,355	316,298	299,682	(16,616)
Title IIA	129,496	128,451	110,081	(18,370)
Title IID	16,800	16,800	12,022	(4,778)
Building capacity grant	6,021	-	-	-
Workfirst	830,370	1,007,965	938,202	(69,763)
Idea flowthrough	61,460	61,460	64,134	2,674
Special Education	31,795	60,314	22,909	(37,405)
Total revenue from federal sources	<u>1,428,297</u>	<u>1,591,288</u>	<u>1,447,030</u>	<u>(144,258)</u>



**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Revenue: (continued)</b>				
Revenue from interdistrict sources				
Special education	<u>\$ 160,000</u>	<u>\$ 177,511</u>	<u>\$ 177,511</u>	<u>\$ -</u>
Reimbursements:				
Proceeds from sale of capital asset	<u>-</u>	<u>32,072</u>	<u>32,072</u>	<u>-</u>
Insurance claims	<u>60,609</u>	<u>65,922</u>	<u>65,922</u>	<u>-</u>
Total revenue	<u>19,305,982</u>	<u>19,979,051</u>	<u>19,827,715</u>	<u>(151,336)</u>

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Expenditures</b>				
Instruction:				
Basic programs:				
Elementary school:				
Salaries	\$ 2,600,000	\$ 2,679,000	\$ 2,710,471	\$ 31,471
Employee benefits	1,201,300	1,224,910	1,174,487	(50,423)
Purchased services	26,543	25,843	24,161	(1,682)
Supplies and materials	118,854	66,554	80,516	13,962
Total elementary school	<u>3,946,697</u>	<u>3,996,307</u>	<u>3,989,635</u>	<u>(6,672)</u>
Middle school:				
Salaries	1,315,000	1,310,000	1,316,267	6,267
Employee benefits	656,000	626,187	613,358	(12,829)
Purchased services	15,587	15,587	15,972	385
Supplies and materials	30,559	30,559	28,030	(2,529)
Other	765	765	295	(470)
Total middle school	<u>2,017,911</u>	<u>1,983,098</u>	<u>1,973,922</u>	<u>(9,176)</u>
High school:				
Salaries	1,690,500	1,712,500	1,744,892	32,392
Employee benefits	843,800	793,387	779,075	(14,312)
Purchased services	35,635	35,635	40,757	5,122
Supplies and materials	69,969	122,969	118,948	(4,021)
Other	590	590	260	(330)
Total high school	<u>2,640,494</u>	<u>2,665,081</u>	<u>2,683,932</u>	<u>18,851</u>
Preschool				
Salaries	71,440	92,550	94,805	2,255
Employee benefits	29,555	47,391	45,099	(2,292)
Purchased services	3,500	3,200	3,756	556
Supplies and materials	27,905	17,150	13,848	(3,302)
Other	600	1,296	2,241	945
Total preschool	<u>133,000</u>	<u>161,587</u>	<u>159,749</u>	<u>(1,838)</u>
Total basic programs	<u>8,738,102</u>	<u>8,806,073</u>	<u>8,807,238</u>	<u>1,165</u>
Added needs:				
Special Education				
Salaries	1,114,257	1,145,785	1,160,955	15,170
Employee benefits	694,810	772,380	747,142	(25,238)
Purchased services	3,150	3,150	1,909	(1,241)
Supplies and materials	16,786	17,786	11,366	(6,420)
Other	2,169	10,000	8,970	(1,030)
Total special education	<u>1,831,172</u>	<u>1,949,101</u>	<u>1,930,342</u>	<u>(18,759)</u>

continued...

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Expenditures (continued)</b>				
Instruction (continued):				
Added needs: (continued)				
Compensatory education				
Salaries	\$ 478,881	\$ 510,976	\$ 490,534	\$ (20,442)
Employee benefits	217,632	217,412	215,197	(2,215)
Purchased services	6,000	6,000	859	(5,141)
Supplies and materials	41,000	41,000	13,414	(27,586)
Total compensatory education	<u>743,513</u>	<u>775,388</u>	<u>720,004</u>	<u>(55,384)</u>
 Total added needs	 <u>2,574,685</u>	 <u>2,724,489</u>	 <u>2,650,346</u>	 <u>(74,143)</u>
 Total instruction	 <u>11,312,787</u>	 <u>11,530,562</u>	 <u>11,457,584</u>	 <u>(72,978)</u>
 Supporting services:				
Pupil services:				
Guidance				
Salaries	254,000	259,500	260,335	835
Employee benefits	113,070	127,666	123,712	(3,954)
Purchased services	2,145	2,145	2,089	(56)
Supplies and materials	10,100	19,100	16,716	(2,384)
Total guidance	<u>379,315</u>	<u>408,411</u>	<u>402,852</u>	<u>(5,559)</u>

continued...

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Expenditures (continued)</b>				
Supporting services: (continued)				
Instructional staff:				
Improvement of instruction				
Salaries	\$ 5,000	\$ 10,000	\$ 9,478	\$ (522)
Employee benefits	-	2,365	2,504	139
Purchased services	48,017	24,972	54,039	29,067
Total improvement of instruction	<u>53,017</u>	<u>37,337</u>	<u>66,021</u>	<u>28,684</u>
Library				
Salaries	184,438	187,140	189,647	2,507
Employee benefits	131,690	127,342	128,544	1,202
Purchased services	6,675	6,675	8,841	2,166
Supplies and materials	32,129	31,629	29,575	(2,054)
Other	521	945	945	-
Total library	<u>355,453</u>	<u>353,731</u>	<u>357,552</u>	<u>3,821</u>
Computer assisted instruction:				
Salaries	112,138	112,138	93,283	(18,855)
Employee benefits	59,610	58,724	61,272	2,548
Purchased services	151,700	151,700	147,716	(3,984)
Supplies and materials	51,500	51,800	56,512	4,712
Other	1,500	2,320	6,106	3,786
Total computer assisted instruction	<u>376,448</u>	<u>376,682</u>	<u>364,889</u>	<u>(11,793)</u>

continued...

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Expenditures (continued)</b>				
Supporting services: (continued)				
Instructional staff: (continued)				
Supervision and direction of instructional staff				
Salaries	\$ 125,908	\$ 127,455	\$ 132,788	\$ 5,333
Employee benefits	63,690	64,578	64,446	(132)
Supplies and materials	950	950	72	(878)
Total supervision and direction of instructional staff	<u>190,548</u>	<u>192,983</u>	<u>197,306</u>	<u>4,323</u>
 Total instructional staff	 <u>975,466</u>	 <u>960,733</u>	 <u>985,768</u>	 <u>25,035</u>
 General Administration:				
Board of education				
Salaries	14,500	14,500	10,260	(4,240)
Employee benefits	270	270	270	-
Purchased services	55,750	52,750	61,694	8,944
Supplies and materials	1,500	1,500	1,304	(196)
Other	14,100	17,100	26,898	9,798
Total board of education	<u>86,120</u>	<u>86,120</u>	<u>100,426</u>	<u>14,306</u>
 Executive administration				
Salaries	150,300	150,300	154,327	4,027
Employee benefits	65,450	65,070	57,698	(7,372)
Purchased services	4,500	4,500	3,916	(584)
Supplies and materials	5,400	5,400	3,984	(1,416)
Other	3,898	3,898	2,414	(1,484)
Total executive administration	<u>229,548</u>	<u>229,168</u>	<u>222,339</u>	<u>(6,829)</u>
 Total general administration	 <u>315,668</u>	 <u>315,288</u>	 <u>322,765</u>	 <u>7,477</u>
 School administration:				
Office of the principal				
Salaries	667,905	672,505	659,038	(13,467)
Employee benefits	345,556	348,876	341,517	(7,359)
Purchased services	107,875	101,725	85,807	(15,918)
Supplies and materials	5,500	11,950	12,227	277
Other	6,170	5,870	6,705	835
Total office of the principal	<u>1,133,006</u>	<u>1,140,926</u>	<u>1,105,294</u>	<u>(35,632)</u>

continued...

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Expenditures (continued)</b>				
Supporting services: (continued)				
Business Services:				
Fiscal Services				
Salaries	\$ 97,000	\$ 97,000	\$ 91,758	\$ (5,242)
Employee benefits	57,550	54,550	52,362	(2,188)
Purchased services	2,150	2,330	1,486	(844)
Supplies and materials	3,500	3,500	3,254	(246)
Total fiscal services	<u>160,200</u>	<u>157,380</u>	<u>148,860</u>	<u>(8,520)</u>
Internal services				
Salaries	37,000	39,609	15,111	(24,498)
Employee benefits	7,100	8,295	3,149	(5,146)
Purchased services	36,900	36,900	39,587	2,687
Supplies and materials	1,600	8,020	5,572	(2,448)
Total internal services	<u>82,600</u>	<u>92,824</u>	<u>63,419</u>	<u>(29,405)</u>
Other business services				
Purchased services	80,000	81,958	74,322	(7,636)
Other	20,000	10,000	5,463	(4,537)
Interest	35,000	20,000	6,519	(13,481)
Bad debt	-	10,000	7,722	(2,278)
Total other business services	<u>135,000</u>	<u>121,958</u>	<u>94,026</u>	<u>(27,932)</u>
Total business services	<u>377,800</u>	<u>372,162</u>	<u>306,305</u>	<u>(65,857)</u>
Operation and maintenance of plant				
Salaries	747,127	749,845	743,463	(6,382)
Employee benefits	531,233	526,344	520,803	(5,541)
Purchased services	560,064	647,064	551,460	(95,604)
Supplies and materials	121,300	168,300	194,764	26,464
Other	36,000	43,000	31,707	(11,293)
Total operation and maintenance of plant	<u>1,995,724</u>	<u>2,134,553</u>	<u>2,042,197</u>	<u>(92,356)</u>
Pupil transportation				
Salaries	506,060	586,060	564,570	(21,490)
Employee benefits	250,950	252,350	259,457	7,107
Purchased services	50,201	55,701	60,411	4,710
Supplies and materials	137,500	177,000	178,439	1,439
Other	6,100	6,100	4,827	(1,273)
Total pupil transportation	<u>950,811</u>	<u>1,077,211</u>	<u>1,067,704</u>	<u>(9,507)</u>

continued...

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Expenditures (continued)</b>				
Supporting services: (continued)				
Central services:				
Staff/personnel services				
Salaries	\$ 37,000	\$ 37,356	\$ 36,870	\$ (486)
Employee benefits	26,500	24,800	24,196	(604)
Purchased services	8,400	8,400	1,959	(6,441)
Supplies and materials	500	500	93	(407)
Other	200	200	-	(200)
Total staff/personnel services	<u>72,600</u>	<u>71,256</u>	<u>63,118</u>	<u>(8,138)</u>
Data processing services				
Purchased services	26,600	26,600	24,473	(2,127)
Supplies and materials	500	500	467	(33)
Total data processing services	<u>27,100</u>	<u>27,100</u>	<u>24,940</u>	<u>(2,160)</u>
Pupil accounting				
Salaries	26,000	26,300	26,379	79
Employee benefits	7,650	8,820	8,837	17
Supplies and materials	100	100	-	(100)
Total pupil accounting services	<u>33,750</u>	<u>35,220</u>	<u>35,216</u>	<u>(4)</u>
Other central services				
Salaries	332,000	332,000	333,633	1,633
Employee benefits	89,500	89,500	80,399	(9,101)
Total other central services	<u>421,500</u>	<u>421,500</u>	<u>414,032</u>	<u>(7,468)</u>
Total central services	<u>554,950</u>	<u>555,076</u>	<u>537,306</u>	<u>(17,770)</u>
Other support services:				
Student activities				
Salaries	139,000	139,000	130,767	(8,233)
Employee benefits	32,700	33,000	30,602	(2,398)
Total student activities	<u>171,700</u>	<u>172,000</u>	<u>161,369</u>	<u>(10,631)</u>
Total supporting services	<u>6,854,440</u>	<u>7,136,360</u>	<u>6,931,560</u>	<u>(204,800)</u>
Community services:				
Community activities:				
Purchased services	<u>1,000</u>	<u>1,000</u>	<u>82</u>	<u>(918)</u>

continued...

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Expenditures (continued)</b>				
Community services: (continued)				
Non-public school pupils:				
Purchased services	\$ 100	\$ 100	\$ 1,675	\$ 1,575
Supplies and materials	700	700	500	(200)
Total non-public school pupils	<u>800</u>	<u>800</u>	<u>2,175</u>	<u>1,375</u>
Other community services				
Salaries	557,250	626,143	549,327	(76,816)
Employee benefits	136,537	273,482	261,456	(12,026)
Purchased services	84,469	46,000	53,491	7,491
Supplies and materials	<u>53,031</u>	<u>41,080</u>	<u>46,377</u>	<u>5,297</u>
Total other community services	<u>831,287</u>	<u>986,705</u>	<u>910,651</u>	<u>(76,054)</u>
Total community services	<u>833,087</u>	<u>988,505</u>	<u>912,908</u>	<u>(75,597)</u>
Payments to other public schools	<u>7,332</u>	<u>29,509</u>	<u>3,334</u>	<u>(26,175)</u>
Debt service:				
Principal repayment	28,728	28,728	4,601	(24,127)
Interest and fiscal charges	<u>2,106</u>	<u>2,106</u>	<u>282</u>	<u>(1,824)</u>
Total debt service	<u>30,834</u>	<u>30,834</u>	<u>4,883</u>	<u>(25,951)</u>
Capital outlay:				
Instruction:				
Supporting services:				
Instructional staff				
Computer assistance	35,000	33,880	35,045	1,165
Internal services	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital outlay	<u>37,000</u>	<u>33,880</u>	<u>35,045</u>	<u>1,165</u>
Total expenditures	<u>19,075,480</u>	<u>19,749,650</u>	<u>19,345,314</u>	<u>(404,336)</u>
Revenue over (under) expenditures	<u>230,502</u>	<u>229,401</u>	<u>482,401</u>	<u>253,000</u>



**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Other financing sources (uses)</b>				
Transfers in	50,000	50,000	50,000	-
Transfers out to athletics fund	<u>(366,926)</u>	<u>(366,926)</u>	<u>(398,998)</u>	<u>(32,072)</u>
Total other financing sources (uses)	<u>(316,926)</u>	<u>(316,926)</u>	<u>(348,998)</u>	<u>(32,072)</u>
Net change in fund balances	(86,424)	(87,525)	133,403	220,928
Fund balance, beginning of year	<u>1,321,182</u>	<u>1,321,182</u>	<u>1,321,182</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,234,758</u></u>	<u><u>\$ 1,233,657</u></u>	<u><u>\$ 1,454,585</u></u>	<u><u>\$ 220,928</u></u>

The accompanying notes are an integral part of these financial statements.

**Bangor Township Schools**  
**Statement of Fiduciary Net Assets**  
**June 30, 2006**

	<b>Private Purpose Trust Funds</b>	<b>Agency Fund</b>
	<hr/>	<hr/>
<b>Assets</b>		
Cash and cash equivalents	\$       785	\$   242,047
	<hr/>	<hr/>
<b>Liabilities</b>		
Accounts payable	\$           -	\$         617
Due to student groups	-	241,430
	<hr/>	<hr/>
Total liabilities	-	\$   242,047
	<hr/>	<hr/>
<b>Net assets held in trust</b>	\$       785	
	<hr/>	

The accompanying notes are an integral part of these financial statements.

**Bangor Township Schools**  
**Private Purpose Trust Funds**  
**Statement of Changes in Net Assets**  
**For the Year Ended June 30, 2006**

	<u><b>Total</b></u>
<b>Additions</b>	
Local sources	\$           -
<b>Deductions</b>	
Awards and grants	- <u>                  </u>
Change in net assets	-
Net assets, beginning of year	785 <u>                  </u>
<b>Net assets, end of year</b>	<u><u>\$           785</u></u>

The accompanying notes are an integral part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

---

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting entity**

Bangor Township Schools (the “District”) has followed the guidelines of the Governmental Accounting Standards Board and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include entities for which the District is considered to be financially accountable.

#### **B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended 2006.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### **C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except for agency funds, which do not have a measurement focus.

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

---

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *2003 bond issue capital projects fund* accounts for the renovation of certain District facilities and acquisition of capital assets. These projects are funded by a general obligation unlimited tax bond issue.

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes, where there is a need to determine the results of operations, specifically food services, athletics, and community service activities.

The *debt service funds* are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

---

The *private purpose trust funds* are used to account for the activity of a scholarship and memorial fund.

The *agency fund* accounts for assets held for other groups and organizations and is custodial in nature.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

### **D. Assets, liabilities and equity**

#### **1. Deposits**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

#### **2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

#### **3. Inventories**

All inventories are valued at cost using the first-in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

---

### 4. *Compensated absences and other termination benefits*

It is the District's policy to permit employees to accumulate various earned but unused vacation and sick pay benefits. These are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Benefits are accrued based on various contract stipulations and lengths of service for the various bargaining units. In addition, employees with 10 or more years of service that are members of the District's teacher's and administration bargaining units are entitled to severance payouts of \$15,000 upon separation from the District. Also, teachers that were hired prior to June 1, 1994 are entitled to a \$6,000 longevity payment in their last year of employment.

### 5. *Capital assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Vehicles	5-10
Equipment and other	5-10



# **BANGOR TOWNSHIP SCHOOLS**

## **NOTES TO FINANCIAL STATEMENTS**

---

### **6. *Long-term obligations***

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **7. *Fund equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary information**

The General and Special Revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted annually on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the General and Special Revenue Funds are adopted on a functional basis.

All annual appropriations lapse at fiscal year end.

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

---

### B. Excess of expenditures over appropriations for budgetary funds

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures that are in excess of the amount appropriated. During the year ended June 30, 2006, the District incurred expenditures in the General Fund, which were in excess of the amounts appropriated in various activities as follows:

	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>GENERAL FUND</b>			
High school	\$2,665,081	\$2,683,932	\$ 18,851
Improvement of instruction	37,337	66,021	28,684
Library	353,731	357,552	3,821
Supervision and direction of instructional staff	192,983	197,306	4,323
Board of education	86,120	100,426	14,306
Non-public school pupils	800	2,175	1,375
Capital outlay	33,880	35,045	1,165
Transfers out to Athletics fund	366,926	398,998	32,072

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

##### Statement of Net Assets

Cash and cash equivalents	\$ 1,122,917
Investments	764,757

##### Statement of Fiduciary Net Assets

Cash and cash equivalents	<u>242,832</u>
Total	<u>\$ 2,130,506</u>

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

---

### Notes to Financial Statements:

Deposits	\$ 1,145,726
Investments	<u>984,780</u>
Total	<u>\$ 2,130,506</u>

The District chooses to disclose its investments by specifically identifying each. As of June 30, 2006, the District had the following investments.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Michigan Liquid Asset Fund	n/a	\$ 45,632	S & P AAAm
Citizens Treasury Portfolio Class B	n/a	<u>939,148</u>	S & P AAAm
		<u>\$ 984,780</u>	

### *Investment and deposit risk*

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments below. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investments held at year end do not have maturity dates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments below. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end \$1,875,545 of the District's bank balance of \$1,975,545 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

# **BANGOR TOWNSHIP SCHOOLS**

## **NOTES TO FINANCIAL STATEMENTS**

---

State law does not require and the District does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments below. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above and are external investment pools.

Michigan law authorizes the District to deposit and invest in:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposits issued by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

**BANGOR TOWNSHIP SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

---

**B. Receivables**

The District's receivables at year end consist of the following:

	<u><b>General</b></u>	<u><b>Nonmajor Funds</b></u>	<u><b>Total</b></u>	<u><b>Amount Not Expected to be Collected Within One Year</b></u>
<b>Receivables:</b>				
Intergovernmental	\$2,476,651	\$ 7,641	\$2,484,292	\$ -
Durant settlement	<u>69,049</u>	<u>141,503</u>	<u>210,552</u>	<u>158,524</u>
<b>Total receivables</b>	<u><b>\$2,545,700</b></u>	<u><b>\$149,144</b></u>	<u><b>\$2,694,844</b></u>	<u><b>\$ 158,524</b></u>

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

### C. Capital assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 181,770	\$ -	\$ -	\$ 181,770
Construction in progress	<u>7,102,335</u>	<u>3,025,571</u>	<u>(10,127,906)</u>	<u>-</u>
Total capital assets not being depreciated	<u>7,284,105</u>	<u>3,025,571</u>	<u>(10,127,906)</u>	<u>181,770</u>
Capital assets being depreciated:				
Buildings and improvements	13,317,201	10,127,906	-	23,445,107
Vehicles	1,132,796	-	-	1,132,796
Equipment and other	<u>164,105</u>	<u>47,983</u>	<u>-</u>	<u>212,088</u>
Total capital assets being depreciated	<u>14,614,102</u>	<u>10,175,889</u>	<u>-</u>	<u>24,789,991</u>
Less accumulated depreciation				
Buildings and improvements	(5,339,189)	(334,929)	-	(5,674,118)
Vehicles	(913,505)	(56,580)	-	(970,085)
Equipment and other	<u>(74,189)</u>	<u>(24,859)</u>	<u>-</u>	<u>(99,048)</u>
Total accumulated depreciation	<u>(6,326,883)</u>	<u>(416,368)</u>	<u>-</u>	<u>(6,743,251)</u>
Total capital assets being depreciated, net	<u>8,287,219</u>	<u>9,759,521</u>	<u>-</u>	<u>18,046,740</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 15,571,324</u>	<u>\$12,785,092</u>	<u>\$(10,127,906)</u>	<u>\$18,228,510</u>

Depreciation expense was charged to functions / programs of the primary government as follows:

Supporting services - Transportation	\$ 56,580
Food service	3,501
Depreciation - unallocated	<u>356,287</u>
<b>Total depreciation expense – governmental activities</b>	<b><u>\$ 416,368</u></b>

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

### D. Payables

Accounts payable and accrued liabilities as of June 30, 2006 for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Fund Financial Statements:</b>			
Accounts payable	\$ 71,308	\$ 764	\$ 72,072
Salaries payable	1,475,414	-	1,475,414
Accrued expenses	<u>258,484</u>	<u>-</u>	<u>258,484</u>
	<u><b>\$1,805,206</b></u>	<u><b>\$ 764</b></u>	<u>1,805,970</u>

#### District-wide Financial Statements:

Accrued interest on long-term debt	<u>119,200</u>
------------------------------------	----------------

Total accounts payable and accrued liabilities	<u><b>\$ 1,925,170</b></u>
--	----------------------------

### E. Interfund receivables, payables and transfers

At June 30, 2006, interfund receivables and payables in the fund financial statements consisted of the following:

	<u>Due from</u>		
<u>Due to</u>	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Nonmajor Funds	\$ 194,568	\$ 2,853	\$ 197,421
General Fund	<u>-</u>	<u>68,984</u>	<u>68,984</u>
Total	<u>194,568</u>	<u>71,837</u>	<u>266,405</u>

The District often reports interfund balances between many of its funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

---

For the year then ended, interfund transfers consisted of the following:

**Transfer from General Fund to:**

Non-major funds:	
Athletic	\$ 366,926

**Transfer from General Fund to:**

Non-major funds:	
Public Improvement	\$ 32,072

**Transfer from Nonmajor Funds  
(Food Service) to:**

General Fund	<u>50,000</u>
--------------	---------------

<b>Total Transfers</b>	<b><u>\$ 448,998</u></b>
------------------------	--------------------------

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2006, the District transferred General Fund funds to subsidize the athletics program and transferred Food Service Special Revenue Fund funds to pay for indirect costs incurred in the General Fund. The General Fund transferred proceeds from the sale of land to the public improvement fund.

### **F. Operating Leases**

The District leases computers from Hewlett-Packard Financial Services Company and a copier from Wirt Financial Services under noncancelable operating leases. Total costs for such leases were \$100,570 for the year ended June 30, 2006. The future minimum lease payments for these leases are as follows:



# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

**Year Ended  
June 30,**

2007	\$ 100,570
2008	22,644
2009	22,644
2010	<u>5,661</u>

**Totals** **\$ 151,519**

**G. Long-term debt**

The following is a summary of bond and loan transactions of the District for the year ended June 30, 2006:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
General obligation bonds	\$ 13,920,567	\$4,615,000	\$(4,779,064)	\$ 13,756,503	\$ 437,503
Unamortized premium	304,076	-	(16,004)	288,072	20,576
Unamortized issue costs	(67,098)	-	3,531	(63,567)	(4,540)
Unamortized discount	-	(40,202)	2,116	(38,086)	(2,116)
Computer contracts	4,601	-	(4,601)	-	-
Accrued retirement incentive	1,493,571	-	(313,665)	1,179,906	280,809
Compensated absences	<u>1,176,578</u>	<u>5,809</u>	<u>-</u>	<u>1,182,387</u>	<u>-</u>
	<b><u>\$ 16,832,295</u></b>	<b><u>\$4,580,607</u></b>	<b><u>\$(5,107,687)</u></b>	<b><u>\$ 16,305,215</u></b>	<b><u>\$ 732,232</u></b>

Bonds payable at June 30, 2006, are comprised of the following individual issues:

2006 refunding bonds due in annual installments

Ranging from \$15,000 to \$1,155,000 through May 1, 2024;

interest ranging from 3.5% to 4.0%, net of discount \$ 4,615,000

2003 Building and site bonds due in annual installments

ranging from \$345,000 to \$1,160,000 through May 1, 2024;

interest ranging from 2.00% to 5.00%, net of premium

and bond issue costs. 9,000,000

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

---

1998 Durant bonds are due in annual installments ranging from \$3,139 to \$7,296 through May 15, 2016; interest rate of 4.76%; annual payments are funded through State revenue sources.

141,503

\$ 13,756,503

The Durant School Improvement Bonds are serviced from funds made available to Michigan School Districts by an annual appropriation by the Michigan State Legislature. If the Legislature does not appropriate the funding required, the District is not liable to pay the debt service.

Compensated absences and the accrued retirement incentive are generally liquidated by the general fund.

Annual debt service requirements to maturity for general obligation bonds are as follows:

<b>Year Ended June 30,</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2007	\$ 437,503	\$ 513,174	\$ 950,677
2008	463,341	503,715	967,056
2009	494,214	492,642	986,856
2010	530,128	479,702	1,009,830
2011	561,087	459,638	1,020,725
2012-2016	3,350,230	1,990,565	5,340,795
2017-2021	4,585,000	1,240,379	5,825,379
2022-2024	<u>3,335,000</u>	<u>270,200</u>	<u>3,605,200</u>
<b>Totals</b>	<b><u>\$ 13,756,503</u></b>	<b><u>\$ 5,950,015</u></b>	<b><u>\$ 19,706,518</u></b>

### **Advance refunding**

On January 31, 2006, the District issued general obligation bonds of \$4,615,000. Proceeds from this bond issue were used to advance refund a portion of the 2003 building and site bonds. The refunded bonds mature as scheduled on May 1, 2007 through 2024. The balance of the defeased debt outstanding at June 30, 2006 was \$4,320,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide statement of net assets. The refunding was undertaken to reduce total debt service payments over the next 17 years

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

---

by \$272,492 and resulted in an economic gain of \$174,014.

### Accrued retirement incentive

A teacher that retires and will not reach age 62 within 3 months of his/her effective retirement date is entitled to a supplementary retirement benefit until he/she reaches age 62. The amount of the supplementary benefit is determined by multiplying the teacher's final year salary by 1.03%. A liability for this retirement incentive has been recognized in the government-wide financial statements at present value, using a discount factor of 4.65%. Estimated annual payments, including social security are as follows:

<b>Year Ended <u>June 30,</u></b>	<b><u>Payment</u></b>
2007	\$ 280,809
2008	273,606
2009	202,814
2010	163,665
2011	121,659
2012-2015	<u>137,353</u>
<b>Totals</b>	<b><u>\$1,179,906</u></b>

### H. Short-term debt – notes payable

The District issues state aid notes in advance of state aid collections, depositing the proceeds in its general fund. These notes are necessary because the District must maintain cash on hand for operations, whereas collections from state aid decrease significantly each November.

Short-term debt activity for the year ended June 30, 2006, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Governmental activities</b>				
State aid notes	<u>\$ 1,300,000</u>	<u>\$ -</u>	<u>\$(1,300,000)</u>	<u>\$ -</u>

# **BANGOR TOWNSHIP SCHOOLS**

## **NOTES TO FINANCIAL STATEMENTS**

---

### **I. Commitments and Contingencies**

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement to the grantor or regulatory agencies. However, management does not believe such disallowances, if any, will be material to the financial position of the District.

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental matters. No such claims or proceedings have been asserted as of June 30, 2006.

### **IV. OTHER INFORMATION**

#### **A. Risk management**

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District has purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

#### **B. Property taxes**

Property taxes are assessed as of December 31 each year and attach as an enforceable lien on property as of the following July 1. School property taxes are levied on December 1 each year, based on the previous years assessment, by Township governments whose boundaries include property within the District, and are due by February 28. Delinquent real taxes are advanced to the District by the Counties involved. Taxes are recorded as revenue in the year levied. Taxes receivable are recorded for property taxes collected within 60 days of year end, if any.

# **BANGOR TOWNSHIP SCHOOLS**

## **NOTES TO FINANCIAL STATEMENTS**

---

### **C. Defined Benefit Pension Plan**

#### ***Plan Description***

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling (517) 322-5103.

#### ***Funding Policy***

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate is 16.34% of annual covered payroll. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPERS for the years ended June 30, 2006, 2005, and 2004, were \$1,854,875, \$1,735,628, and \$1,531,233, respectively, equal to the required contributions for each year.

#### ***Other Post Employment Benefits***

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion

# **BANGOR TOWNSHIP SCHOOLS**

## **NOTES TO FINANCIAL STATEMENTS**

---

of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

### **D. Economic Dependency**

The District received approximately 67% of its General Fund revenue from the Michigan Department of Education Membership Allowance. Due to the significance of this revenue source to the District, the District is considered to be economically dependent.

### **E. Bonded Construction Costs**

The 2003 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Michigan Revised School Code.

\* \* \* \* \*

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

**Bangor Township Schools  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2006**

	<u>Special Revenue</u>			<u>Debt Service</u>	
	<u>Food Services</u>	<u>Athletics</u>	<u>Community Service</u>	<u>2003 Bond Issue Debt Service Fund</u>	<u>2006 Bond Issue Debt Service Fund</u>
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 276,144	\$ 900	\$ -	\$ 92,909	\$ 5,909
Due from other governments	7,024	617	-	-	-
Due from other funds	-	26,608	128,478	-	10,263
Inventories	6,620	-	-	-	-
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 289,788</u></b>	<b><u>\$ 28,125</u></b>	<b><u>\$ 128,478</u></b>	<b><u>\$ 92,909</u></b>	<b><u>\$ 16,172</u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	265	235	264	-	-
Due to other funds	61,574	-	-	10,263	-
Deferred revenue	-	-	-	-	-
Total liabilities	61,839	235	264	10,263	-
<b>Fund balances</b>					
Reserved for inventory	6,620	-	-	-	-
Unreserved, undesignated	221,329	27,890	128,214	82,646	16,172
Total fund balances	227,949	27,890	128,214	82,646	16,172
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 289,788</u></b>	<b><u>\$ 28,125</u></b>	<b><u>\$ 128,478</u></b>	<b><u>\$ 92,909</u></b>	<b><u>\$ 16,172</u></b>



<u>Debt Service</u>	<u>Capital Projects</u>	
<u>Durant Debt Service</u>	<u>Public Improvement</u>	<u>Totals</u>
\$ -	\$ -	\$ 375,862
141,503	-	149,144
-	32,072	197,421
-	-	6,620
<u>\$ 141,503</u>	<u>\$ 32,072</u>	<u>\$ 729,047</u>

-	-	764
-	-	71,837
<u>141,503</u>	<u>-</u>	<u>141,503</u>
<u>141,503</u>	<u>-</u>	<u>214,104</u>

-	-	6,620
-	32,072	508,323
-	32,072	514,943
<u>\$ 141,503</u>	<u>\$ 32,072</u>	<u>\$ 729,047</u>

**Bangor Township Schools**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2006**

	<b>Special Revenue</b>			<b>Debt Service</b>	
	<b>Food Services</b>	<b>Athletics</b>	<b>Community Service</b>	<b>2003 Bond Issue Debt Service Fund</b>	<b>2006 Bond Issue Debt Service Fund</b>
<b>Revenue</b>					
Local sources	\$ 449,832	\$ 82,440	\$ 192,950	\$ 909,302	\$ 65,869
State sources	57,620	-	-	-	-
Federal sources	447,102	-	-	-	-
Total revenue	954,554	82,440	192,950	909,302	65,869
<b>Expenditures</b>					
Food services	879,410	-	-	-	-
Athletics	-	458,179	-	-	-
Community service	-	-	175,445	-	-
Debt service:					
Principal repayment				380,000	
Interest and fiscal charges	-	-	-	562,486	49,697
Total expenditures	879,410	458,179	175,445	942,486	49,697
Revenue over (under) expenditures	75,144	(375,739)	17,505	(33,184)	16,172
<b>Other financing sources</b>					
Proceeds of refunded debt	-	-	-	4,615,000	-
Payments to bond escrow agent	-	-	-	(4,615,000)	-
Transfers in	-	366,926	-	-	-
Transfers out	(50,000)	-	-	-	-
Total other financing sources	(50,000)	366,926	-	-	-
Net change in fund balances	25,144	(8,813)	17,505	(33,184)	16,172
Fund balance, beginning of year	202,805	36,703	110,709	115,830	-
<b>Fund balance, end of year</b>	<b>\$ 227,949</b>	<b>\$ 27,890</b>	<b>\$ 128,214</b>	<b>\$ 82,646</b>	<b>\$ 16,172</b>

<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Durant Debt Service</b>	<b>Public Improvement</b>	<b>Totals</b>
\$ -	\$ -	\$ 1,700,393
114,409	-	172,029
-	-	447,102
114,409	-	2,319,524
-	-	879,410
-	-	458,179
-	-	175,445
79,064	-	459,064
35,345	-	647,528
114,409	-	2,619,626
-	-	(300,102)
-	-	4,615,000
-	-	(4,615,000)
-	32,072	398,998
-	-	(50,000)
-	32,072	348,998
-	32,072	48,896
-	-	466,047
<u>\$ -</u>	<u>\$ 32,072</u>	<u>\$ 514,943</u>

**Bangor Township Schools**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Food Service Special Revenue Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenue</b>				
Local sources				
Food sales	\$ 410,500	\$ 425,500	\$ 433,302	\$ 7,802
Other revenue	10,000	10,000	8,111	(1,889)
Interest	3,000	6,000	8,419	2,419
Total revenue from local sources	<u>423,500</u>	<u>441,500</u>	<u>449,832</u>	<u>8,332</u>
State sources - restricted	<u>53,029</u>	<u>57,752</u>	<u>57,620</u>	<u>(132)</u>
Federal sources				
Grants	320,000	360,000	383,751	23,751
Commodities	40,000	50,000	63,351	13,351
Total revenue from federal sources	<u>360,000</u>	<u>410,000</u>	<u>447,102</u>	<u>37,102</u>
Total revenue	<u>836,529</u>	<u>909,252</u>	<u>954,554</u>	<u>45,302</u>
<b>Expenditures</b>				
Salaries	276,889	286,737	280,047	(6,690)
Employee benefits	126,367	122,786	121,282	(1,504)
Purchased services	15,550	15,550	13,551	(1,999)
Supplies and materials	378,280	458,280	456,203	(2,077)
Capital outlay	14,873	-	-	-
Other expenses	6,000	6,000	8,327	2,327
Total expenditures	<u>817,959</u>	<u>889,353</u>	<u>879,410</u>	<u>(9,943)</u>
Revenue over (under) expenditures	18,570	19,899	75,144	55,245
<b>Other financing sources (uses)</b>				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balance	(31,430)	(30,101)	25,144	55,245
Fund balance, beginning of year	<u>202,805</u>	<u>202,805</u>	<u>202,805</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 171,375</u>	<u>\$ 172,704</u>	<u>\$ 227,949</u>	<u>\$ 55,245</u>

**Bangor Township Schools**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Athletics Special Revenue Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Revenue</b>				
Local sources				
Athletic admissions and sales	\$ 51,000	\$ 82,440	\$ 82,440	\$ -
<b>Expenditures</b>				
Salaries	245,180	242,988	241,923	(1,065)
Employee benefits	72,167	69,895	66,899	(2,996)
Purchased services	101,870	102,249	101,804	(445)
Supplies and materials	18,091	22,154	21,862	(292)
Other expenses	14,667	27,390	25,691	(1,699)
Total expenditures	451,975	464,676	458,179	(6,497)
Revenue over (under) expenditures	(400,975)	(382,236)	(375,739)	6,497
<b>Other financing sources (uses)</b>				
Transfers in	366,926	366,926	366,926	-
Net change in fund balance	(34,049)	(15,310)	(8,813)	6,497
Fund balance, beginning of year	36,703	36,703	36,703	-
<b>Fund balance, end of year</b>	<u>\$ 2,654</u>	<u>\$ 21,393</u>	<u>\$ 27,890</u>	<u>\$ 6,497</u>

**Bangor Township Schools**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Community Service Special Revenue Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenue</b>				
Local sources				
Participation fees	\$ 137,600	\$ 156,467	\$ 167,950	\$ 11,483
Miscellaneous	50,000	25,000	25,000	-
	<u>187,600</u>	<u>181,467</u>	<u>192,950</u>	<u>11,483</u>
Total revenue				
<b>Expenditures</b>				
Salaries	109,857	115,657	108,450	(7,207)
Employee benefits	32,249	33,221	30,135	(3,086)
Purchased services	1,300	2,550	1,659	(891)
Supplies and materials	26,950	25,100	20,553	(4,547)
Other expenses	20,485	16,185	14,648	(1,537)
	<u>190,841</u>	<u>192,713</u>	<u>175,445</u>	<u>(17,268)</u>
Total expenditures				
Net change in fund balance	(3,241)	(11,246)	17,505	28,751
Fund balance, beginning of year	<u>110,709</u>	<u>110,709</u>	<u>110,709</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 107,468</u>	<u>\$ 99,463</u>	<u>\$ 128,214</u>	<u>\$ 28,751</u>

**Bangor Township Schools**  
**Private Purpose Trust Funds**  
**Combining Statement of Net Assets**  
**June 30, 2006**

	<b>BTS Scholarship Fund</b>	<b>Johnson Memorial</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 43	\$ 742	\$ 785
<b>Net assets</b>			
Held in trust for specific programs	\$ 43	\$ 742	\$ 785

**Bangor Township Schools**  
**Private Purpose Trust Funds**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**For the Year Ended June 30, 2006**

	<b>BTS Scholarship Fund</b>	<b>Johnson Memorial</b>	<b>Total</b>
	<hr/>	<hr/>	<hr/>
<b>Additions</b>			
Local sources	\$ -	\$ -	\$ -
<b>Deductions</b>			
Awards and grants	<hr/> -	<hr/> -	<hr/> -
Change in net assets	-	-	-
Net assets, beginning of year	<hr/> 43	<hr/> 742	<hr/> 785
<b>Net assets, end of year</b>	<hr/> <hr/> \$ 43	<hr/> <hr/> \$ 742	<hr/> <hr/> \$ 785



## **SINGLE AUDIT**

**Bangor Township Schools**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2006**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2005	Current Year Cash Payments/ In-Kind Received	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2006
<b>U.S. Department of Agriculture</b>							
Nutrition Cluster							
Passed Through Michigan Department of Education:							
National School Lunch Breakfast							
051970 - Breakfast	10.553	\$ 5,415	\$ -	\$ -	\$ 5,415	\$ 5,415	\$ -
061970 - Breakfast	10.553	60,092	-	-	60,092	60,092	-
Total		65,507	-	-	65,507	65,507	-
National School Lunch Program							
051950 - Section 4 All lunches	10.555	6,541	-	-	6,541	6,541	-
061950 - Section 4 All lunches	10.555	56,166	-	-	56,166	56,166	-
051960 - Section 11 Free & Reduced	10.555	24,367	-	-	24,367	24,367	-
061960 - Section 11 Free & Reduced	10.555	231,170	-	-	231,170	231,170	-
Total		318,244	-	-	318,244	318,244	-
Food Distribution:							
Entitlement commodities	10.550	56,013	-	-	56,013	56,013	-
Bonus commodities	10.550	7,338	-	-	7,338	7,338	-
Total		63,351	-	-	63,351	63,351	-
Total Nutrition Cluster		447,102	-	-	447,102	447,102	-
Passed Through SMBJTS							
Food Stamp Program	10.561	-		1,173	8,829	7,656	-
<b>Total U.S. Department of Agriculture</b>		447,102	-	1,173	455,931	454,758	-
<b>U.S. Department of Labor</b>							
Passed Through SMBJTS							
WIA-Adult WF67435-95526-05	17.258	-	58,750	12,513	12,513	-	-
WIA-Adult WF67435-95526-06	17.258	-	-	-	71,933	85,005	13,072
WIA-Dislocated WF67435-95526-05	17.258	-	24,183	3,605	3,605	-	-
WIA-Dislocated WF67437-95526-06	17.258	-	-	-	37,539	47,499	9,960
Total		-	82,933	16,118	125,590	132,504	23,032
<b>Total U.S. Department of Labor</b>		-	82,933	16,118	125,590	132,504	23,032
<b>U.S. Department of Education</b>							
Special Education Cluster							
Passed Through Bay Arenac Intermediate School District:							
60450 IDEA Flowthrough	84.027A	61,460	-	-	22,688	61,460	38,772
60490 Transition Services	84.027A	2,674	-	-	2,030	2,674	644
Total		64,134	-	-	24,718	64,134	39,416
60460 Preschool Projects	84.173A	22,909	-	-	13,314	22,909	9,595
Total Special Education Cluster		87,043	-	-	38,032	87,043	49,011
Passed through Michigan Department of Education:							
ESEA Title I Part A							
041530 0405 Carryover	84.010	54,703	54,703	5,941	5,941	-	-
051530 0506 Carryover	84.010	308,465	275,250	27,237	39,388	33,215	21,064
051530 0304 Regular	84.010	272,408	-	-	129,079	272,408	143,329
Total		635,576	329,953	33,178	174,408	305,623	164,393

continued...

**Bangor Township Schools**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2006**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2005	Current Year Cash Payments/ In-Kind Received	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2006
<b>U.S. Department of Education (cont.)</b>							
Passed through Michigan Department of Education (cont.):							
Technology Literacy Challenge Grants							
054290 0405 Regular	84.318	7,839	899	899	7,839	6,940	-
064290 0506 Regular	84.318	5,082	-	-	-	5,082	5,082
Total		12,921	899	899	7,839	12,022	5,082
Title II A - Improving Teacher Quality							
060520 0506 Regular	84.367	128,451	-	-	42,806	110,081	67,275
<b>Total U.S. Department of Education</b>		863,991	330,852	34,077	263,085	514,769	285,761
<b>U.S. Department of Health and Human Services</b>							
Passed Through SMBJTS							
Work First WF67611-95526-05	93.558	-	19,360	6,155	6,155	-	-
Work First WF67611-95526-06	93.558	-	-	-	42,422	47,703	5,281
Total		-	19,360	6,155	48,577	47,703	5,281
Work First Reed WF67608-95526-05	93.UNK	-	700,332	50,171	50,171	-	-
Work First Reed WF67608-95526-06	93.UNK	-	-	-	27,226	-	(27,226)
Work First Reed WF67608-95526-06	93.UNK	-	-	-	641,219	750,339	109,120
Total		-	700,332	50,171	718,616	750,339	81,894
<b>Total U.S. Department of Health and Human Services</b>		-	719,692	56,326	767,193	798,042	87,175
<b>Total Federal Programs</b>		\$ 1,311,093	\$ 1,133,477	\$ 107,694	\$ 1,611,799	\$ 1,900,073	\$ 395,968

**Reconciliation to Federal Revenue Recognized in Financial Statements**

Federal awards per schedule of expenditures of federal awards	\$ 1,900,073
Less: Questioned costs related to Title I program; see Finding 2006-2	(5,941)
<b>Total Federal Revenue Recognized in Financial Statements</b>	<b>\$ 1,894,132</b>

**Notes to Schedule of Expenditures of Federal Awards**

- The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Bangor Township Schools and is presented on the modified accrual basis of accounting. The information presented in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.
- Expenditures in this schedule are in agreement with amounts reported in the financial statements and the financial reports submitted to the Michigan Department of Education, *with the exception of expenditures for the Title I program; see Finding 2006-2*.
- The amounts reported on the R7120 (Grant Section Auditors Report) reconcile with this schedule.
- The amounts reported on the Recipient Entitlement Balance Report (PAL Report) agree with this Schedule for USDA donated food commodities and are reported in the cash receipts column. Spoilage or pilferage, if any, is included in expenditures.



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**

*An Independent Member of Baker Tilly International*

**INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

October 13, 2006

To the Board of Education  
Bangor Township Schools  
Bay City, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bangor Township Schools (the "District"), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud, in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the District, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

October 13, 2006

To the Board of Education  
Bangor Township Schools  
Bay City, Michigan

**Compliance**

We have audited the compliance of ***Bangor Township Schools*** (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which

are described in the accompanying schedule of findings and questioned costs as items 2006-1 and 2006-2.

### **Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the District, the Board of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

**BANGOR TOWNSHIP SCHOOLS**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

---

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: *Unqualified on basic financial statements*

Internal controls over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes        X   no

Reportable condition(s) identified not considered to be material weaknesses? \_\_\_\_\_ yes        X   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes        X   no

**Federal Awards**

Internal Control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes        X   no

Reportable condition(s) identified not considered to be material weaknesses? \_\_\_\_\_ yes        X   none reported

Type of auditor's report issued on compliance for major programs:

*Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?

  X   yes      \_\_\_\_\_ no

Identification of Major Programs:

**CFDA Number**

**Name of Federal Program or Cluster**

93.UNK

Workfirst – Reed Act Grant

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

  X   yes      \_\_\_\_\_ no



**BANGOR TOWNSHIP SCHOOLS**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

---

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2006-1**                      Reporting revenue and expenditures of the Reed Act (Work First) program

**Grantor:**                      U.S. Department of Health and Human Services

**CFDA #:**                      93.UNK

**Award Name:**              Reed Act (Work First)

**Condition:**                This program operates on a reimbursement basis, whereby eligible expenditures are reimbursed by the grantor agency after they are incurred by the District. In this type of situation, revenue for the federal program should be equal to expenditures of the federal program.

During the fiscal year ended June 30, 2006, the District's general ledger reported revenue from this federal program in excess of program expenditures by \$27,226. Because this program operates on a reimbursement basis, the "excess" revenue was accounted for as deferred revenue at year-end and reported as a liability of the District. It is unclear as to the reason why this federal program reported revenue in excess of expenditures.

**Questioned Costs:**      \$27,226

**Recommendation:**      The District should determine the reason that this federal program reported revenue in excess of expenditures and coordinate with the grantor pass-through agency to determine an acceptable resolution for the situation.

**BANGOR TOWNSHIP SCHOOLS**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

---

**2006-2**                      Reporting expenditures of the Title I program

**Grantor:**                      U.S. Department of Education

**CFDA #:**                      84.010

**Award Name:**              Title I

**Condition:**                Federal award expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA) should be supported by individual expenditures accumulated and accounted for on a general ledger accounting system. For the year ended June 30, 2006, the District reported Title I program expenditures of \$305,623 on its SEFA and only \$299,682 in program expenditures on its general ledger.

**Questioned Costs:**      \$5,941

**Recommendation:**      The District should determine the reason that the SEFA reported expenditures in excess of expenditures accounted for on the general ledger and coordinate with the grantor pass-through agency to determine an acceptable resolution for the situation.

**BANGOR TOWNSHIP SCHOOLS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

---

There were no findings published for the audit of the year ended June 30, 2005.



**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

October 13, 2006

To the Board of Education  
Bangor Township Schools  
Bay City, Michigan

In planning and performing our audit of the financial statements of ***Bangor Township Schools*** for the year ended June 30, 2006, we considered the District's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal controls.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated October 13, 2006 on the financial statements of ***Bangor Township Schools***.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss these comments in further detail at your convenience, or perform any additional studies of these matters, or to assist you in implementing the recommendations.

# **BANGOR TOWNSHIP SCHOOLS**

## **COMMENTS AND RECOMMENDATIONS**

---

### **1) Reconciliation of General Ledger Account Balances**

A strong system of internal control dictates that all general ledger account balances are properly reconciled to and supported by a subsidiary ledger or other adequate supportive documentation in a timely manner. The District's general ledger account balance for cash in the Agency Fund was not properly reconciled at the end of the year. The District has a fiduciary responsibility to properly account for cash held for student groups and other balances in the Agency Fund.

#### **Recommendation:**

We recommend that the District properly reconcile the cash balance account in the Agency Fund on a monthly basis.

### **2) Consistent Use of Ticket Sales Reconciliation Form for Athletic Admissions**

The District utilizes a "Ticket Sales Reconciliation Form" to account for the number of tickets sold at an athletics event and enhances internal control over cash receipts when properly used. The user of the form is supposed to account for the beginning and ending ticket numbers and beginning and ending cash balances resulting from admission sales for an athletics event. Results of our procedures indicated that the forms are not always completed properly, which results in diminished internal control over cash receipts for admission sales.

#### **Recommendation:**

We recommend that the District require that the Ticket Sales Reconciliation Forms be completed in their entirety for each athletics event where admission tickets are sold.